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Motors, LP; Reagor-Dykes Imports, LP;
Reagor-Dykes Amarillo, LP; Reagor-Dykes
Auto Company, LP; Reagor-Dykes
Plainview, LP; Reagor-Dykes Floydada, LP

**IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE NORTHERN DISTRICT OF TEXAS
 LUBBOCK DIVISION**

IN RE:	§	
REAGOR-DYKES MOTORS, LP	§	Case No. 18-50214-rlj11
Debtor.	§	
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IN RE:	§	
REAGOR-DYKES IMPORTS, LP	§	Case No. 18-50215-rlj11
Debtor.	§	
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IN RE:	§	
REAGOR-DYKES AMARILLO, LP	§	Case No. 18-50216-rlj11
Debtor.	§	
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IN RE:	§	
REAGOR-DYKES AUTO COMPANY, LP	§	Case No. 18-50217-rlj11
Debtor.	§	
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IN RE:	§	
REAGOR-DYKES PLAINVIEW, LP	§	Case No. 18-50218-rlj11
Debtor.	§	

IN RE: §
REAGOR-DYKES FLOYDADA, LP § Case No. 18-50219-rlj11
Debtor. §

DEBTORS' JOINT EMERGENCY MOTION FOR AUTHORITY
TO USE CASH COLLATERAL

TO THE HONORABLE ROBERT L. JONES, U.S. Bankruptcy Judge:

NOW COME, Reagor-Dykes Motors, LP, Reagor-Dykes Imports, LP, Reagor-Dykes Amarillo, LP, Reagor-Dykes Auto Company, LP, Reagor-Dykes Plainview, LP, and Reagor-Dykes Floydada, LP (each a “Debtor,” and collectively, the “Debtors”), the Debtors in the above-referenced bankruptcy proceedings, and pursuant to Bankruptcy Rule 4001(b) file this Debtors’ Joint Emergency Motion for Authority to Use Cash Collateral (“Motion”). In support, the Debtors would show:

Summary of Relief Requested

This Motion seeks interim use of cash collateral for a period of thirty (30) days to avoid immediate and irreparable harm to the bankruptcy estates of the Debtors, and also requests the Court to set a final hearing on the use of cash collateral.

Ford Motor Credit Company (“Ford”) asserts a security interest in the Debtors inventory, as well as the proceeds, products, rents, issues and profits of such inventory, of the Debtors to secure the repayment of various loans described below.

The cash collateral sought to be used in accordance with the requests set out in this Motion will be used to pay pre-petition and post-petition wages of the employees of the Debtors, as well as the normal day-to-day expenses of the Debtors’ operations such as payroll, office

supplies, utilities, taxes, rents, and repairs and maintenance. It also provides for the purchase of inventory.

The Motion proposes to grant Ford replacement liens in the assets of the Debtors of equal priority as its pre-petition liens.

The Debtors' Background

1. The Debtors are Texas limited partnerships which own and operate auto dealerships in and around West Texas. The Debtors make up a part of what is known as the Reagor-Dykes Auto Group.

2. Reagor-Dykes Motors, LP operates two dealerships: Spike Dykes Ford Lincoln in Lamesa, Texas and Reagor-Dykes Auto Mall in Midland, Texas. Spike Dykes Ford Lincoln sells both new and used vehicles. Reagor-Dykes Auto Mall sells used vehicles. Each location also provides maintenance and service on vehicles for its customers. Reagor-Dykes Motors, LP has 80 employees.

3. Reagor-Dykes Imports, LP operates two dealerships: Reagor-Dykes Mitsubishi in Lubbock, Texas and Reagor-Dykes South in Lubbock, Texas. Reagor-Dykes Mitsubishi sells both new and used vehicles. Reagor-Dykes South sells used vehicles. Reagor-Dykes Mitsubishi provides maintenance and service on vehicles for its customers. Reagor-Dykes Imports, LP has 69 employees.

4. Reagor-Dykes Amarillo, LP operates one dealership with two locations in Amarillo, Texas. Reagor-Dykes Amarillo, LP operates Reagor-Dykes Mitsubishi of Amarillo. At the Debtor's south location, the Debtor sells both new and used vehicles. At the Debtor's north location, the Debtor sells used vehicles. Reagor-Dykes Amarillo, LP provides maintenance and service on vehicles for its customers. Reagor-Dykes Amarillo, LP has 33 employees.

5. Reagor-Dykes Auto Company, LP operates one dealership, Reagor-Dykes Ford Lincoln in Plainview, Texas. Reagor-Dykes Ford Lincoln sells both new and used vehicles. Reagor-Dykes Auto Company, LP provides maintenance and service on vehicles for its customers. Reagor-Dykes Auto Company, LP has 61 employees.

6. Reagor-Dykes Plainview, LP operates one dealership, Reagor-Dykes Toyota in Plainview, Texas. Reagor-Dykes Toyota sells both new and used vehicles. Reagor-Dykes Plainview, LP provides maintenance and service on vehicles for its customers. Reagor-Dykes Plainview, LP has 35 employees.

7. Reagor-Dykes Floydada, LP operates one dealership, Reagor-Dykes Chevrolet in Floydada, Texas. Reagor-Dykes Chevrolet sells both new and used vehicles. Reagor-Dykes Floydada, LP provides maintenance and service on vehicles for its customers. Reagor-Dykes Floydada, LP has 26 employees.

8. Over the last 13 years the Debtors along with the other dealerships under the Reagor-Dykes Auto Group have grown into one of the largest auto groups in North and West Texas. For the last three years in a row, the Reagor-Dykes Auto Group has been recognized by Inc. Magazine as one of the top 5000 fastest growing privately held companies in the United States.

Indebtedness Owed to Ford Motor Credit Company

9. The Debtors obtained pre-petition floor financing from Ford Motor Credit Company (“Ford”). Ford holds six loans against the Debtors. Each loan provides various line limits on the new and used vehicles. The table below summarizes the various loans and lines:

Reagor-Dykes Motors, LP – Loan No. **3865			
Line Name	Original Line Limit	Current Line Limit	Outstanding Balance ¹
New Ford Line	\$27,000,000.00	\$15,600,000.00	\$18,566,042.40
Used Line	\$11,000,000.00	\$11,000,000.00	\$2,841,869.52
AOP Line	\$500,000.00	\$500,000.00	\$921,904.58
New Lincoln Line	\$400,000.00	\$400,000.00	\$461,303.43
Demo Line	\$1,000,000.00	\$1,000,000.00	\$268,825.49
Program Line	\$50,000.00	\$50,000.00	\$158,734.00
Ford-Lincoln Rent a Car	\$200,000.00	\$200,000.00	\$71,120.92
Multi MFGS Accom.	\$100,000.00	\$100,000.00	\$0.00
Ford Courtesy Trans	\$150,000.00	\$150,000.00	\$377,069.10
Ford FCTP P-Car	\$100,000.00	\$100,000.00	\$489,937.44
Reagor-Dykes Imports, LP – Loan No. **1560			
Line Name	Original Line Limit	Current Line Limit	Outstanding Balance
Mitsubishi New	\$6,500,000.00	\$1,600,000.00	\$2,599,985.66
Multi MFGS Used	\$10,600,000.00	\$10,600,000.00	\$3,399,728.50
Multi MFGS Accom.	\$400,000.00	\$400,000.00	\$177,951.25
Multi MFGS Demo	\$100,000.00	\$100,000.00	\$74,041.25
Multi MFGS Service	\$250,000.00	\$250,000.00	\$27,450.00
Reagor-Dykes Amarillo, LP – Loan No. **1558			
Line Name	Original Line Limit	Current Line Limit	Outstanding Balance
Mitsubishi New	\$4,000,000.00	\$1,300,000.00	\$3,354,420.56
Multi MFGS Used	\$5,800,000.00	\$5,800,000.00	\$2,581,743.81
Multi MFGS Accom.	\$300,000.00	\$300,000.00	\$54,315.00
Multi MFGS Demo	\$100,000.00	\$100,000.00	\$0.00
Multi MFGS Service	\$100,000.00	\$100,000.00	\$0.00
Reagor-Dykes Auto Company, LP – Loan No. **4603			
Line Name	Original Line Limit	Current Line Limit	Outstanding Balance
Ford New	\$8,700,000.00	\$6,100,000.00	\$6,876,536.85
Lincoln New	\$950,000.00	\$550,000.00	\$308,237.30
Multi MFGS Used	\$7,000,000.00	\$7,000,000.00	\$1,873,577.50
Multi MFGS Prog.	\$50,000.00	\$50,000.00	\$92,525.00
Multi MFGS Accom.	\$400,000.00	\$400,000.00	\$112,800.00
Ford Rent a Car	\$200,000.00	\$200,000.00	\$0.00
Multi MFGS Demo	\$600,000.00	\$600,000.00	\$370,193.61
Multi MFGS AOP	\$300,000.00	\$300,000.00	\$0.00
Ford Courtesy Trans	\$550,000.00	\$550,000.00	\$469,330.03
Ford FCTP P-Car	\$450,000.00	\$450,000.00	\$946,649.04

¹ Outstanding balance as of August 2, 2018.

Reagor-Dykes Plainview, LP – Loan No. **2377			
Line Name	Original Line Limit	Current Line Limit	Outstanding Balance
Toyota New	\$10,000,000.00	\$6,100,000.00	\$8,620,070.46
Multi MFGS Used	\$4,700,000.00	\$4,700,000.00	\$2,145,682.50
Multi MFGS Demo	\$500,000.00	\$500,000.00	\$127,485.73
Multi MFGS Accom	\$250,000.00	\$250,000.00	\$78,100.00
Multi MFGS Service	\$200,000.00	\$200,000.00	\$0.00
Reagor-Dykes Floydada, LP – Loan No. **2739			
Line Name	Original Line Limit	Current Line Limit	Outstanding Balance
Chevrolet New	\$12,000,000.00	\$7,050,000.00	\$6,912,431.67
Multi MFGS Used	\$2,000,000.00	\$2,000,000.00	\$587,127.50
Multi MFGS Accom	\$50,000.00	\$50,000.00	\$0.00
Multi MFGS Demo	\$300,000.00	\$300,000.00	\$133,498.91
Multi MFGS AOP	\$200,000.00	\$200,000.00	\$0.00
Multi MFGS Service	\$150,000.00	\$150,000.00	\$0.00

10. Ford's debt with the Debtors is secured by the Debtors' vehicle inventory and titles.

11. Ford asserts that the Debtors have defaulted under the loans on account of being out of trust by \$41 million. The Debtors dispute this number. Based on the alleged default, Ford has stopped all funding on the loans.

Events Leading to Chapter 11 Filings

12. To monitor the Debtors' operations and Ford's loans and exposure, Ford periodically conducts audits of the Debtors' dealerships. Ford's last audit of the Debtors was done in June of 2018. According to Ford's audit, the Debtors received not only a clean bill of health, but were commended on the performance the Debtors were experiencing at the dealerships.

13. Despite the praise received by Ford in just the past couple months, Ford conducted another audit in July, despite having done one in just last month. Based on this audit, Ford asserts that the Debtors have been failing to meet certain standards on under their floor financing requirements. On July 26, 2018, Ford came in, conducted an audit and then on July 30,

2018, stopped funding the Debtors under their lines of credit which fund their floor plans.

14. Additionally, Ford provides financing to the Debtors' customers when a customer purchases a vehicle from the Debtors. Ford ceased providing indirect lending to the Debtors and their customers. Needless to say, this froze the Debtors operations, dried up their cash, and forced them to seek protection of this Court to keep the doors open and operating.

Available Cash and Budgets for Cash Collateral

15. The Debtors over the years have taken profits and invested them in investment accounts with American Century Investments. To cover the payroll expenses the Debtors seek to cover by this Motion, the Debtors have moved the investments in these accounts to their newly opened Debtor-in-Possession accounts ("DIP Accounts"). The Debtors do not believe these proceeds are encumbered by the security interests of Ford Motor Credit. However, in an abundance of caution are requesting authority to use these funds and to continue sales of automobiles, parts and other assets subject to the liens of Ford to keep the dealerships in operation.

16. Each of the Debtors have the following cash available to cover the payroll expenses described herein:

Debtor	Cash Available
Reagor-Dykes Motors, LP	\$78,000.00
Reagor-Dykes Floydada, LP	\$111,000.00
Reagor-Dykes Plainview, LP	\$78,000.00
Reagor-Dykes Auto Company, LP	\$78,000.00
Reagor-Dykes Amarillo, LP	\$78,000.00
Reagor-Dykes Imports, LP	\$78,000.00

20. The Debtors have an immediate need to use this cash to pay its employees, pay for expenses arising in the ordinary course of the Debtors business, and pay for other supplies vital to their operations.

21. In addition the Debtors intend to keep operations going by selling vehicles at the dealerships and generating gross profits. The Debtors gross profits are already reduced by the payment of the financing associated with the vehicle sold, the payoff for any customer trade in, and all licensing and registration fees. The Debtors will use the gross profits to cover their operating expenses incurred in the ordinary course of business, which include payroll, taxes, utilities, rents, repairs and maintenance.

22. Management of the Debtors has prepared a budget relating to its proposed expenditures over the next thirty (30) days which reflects the sources and uses of the funds. The budget is attached hereto and incorporated herein as Exhibit "A." Management of the Debtors believe these cash flow projections will provide the Debtors the ability and the time to determine the direction this case should take and consider the form of any feasible plan to restructure the balances owed to Ford and their other creditors. As shown, the cash flow projections use historical sales and expense data to project future expenses and revenues. Based on the cash flow projections, and the provisions of the automatic stay which prevents Ford from taking actions relating to the collection and enforcement of the Ford loans, the Debtors project that ending cash after all expenses will be \$598,593.00.

23. Based upon the budget, the Debtors propose to continue to operate their business on as much of a cash basis as possible going forward. The Debtors would request the current use of the projected gross profits to pay expenses incurred in the ordinary course of business over the next thirty (30) days. The Debtors will continue to cut expenses where possible and operate the dealerships in as efficient and profitable manner as possible under the current circumstances.

24. As reflected in the budget, the Debtors have already made significant adjustments to lower their expenses and to improve their cash flow. The Debtors will be reducing its work

force in an orderly fashion over time which will allow them to maintain the status quo while analyzing the status of the estates and the appropriate manner to administer the estates.

Consideration of Motion on an Emergency Basis

25. In the event the Debtors are not allowed the use of cash collateral to continue their respective business operations they will undoubtedly suffer immediate and irreparable harm as the Debtors will have no alternative but to close their doors, discontinue their operations and liquidate their assets. The Debtors believe that a liquidation of their assets will significantly harm not only Ford, but their other creditors. Essentially, an immediate liquidation would be a disaster for the bankruptcy estates and their creditors.

26. Likewise, without the use of the cash collateral the estates will suffer immediate and irreparable harm, by forcing them to discontinue all operations, terminate the employment of their employees and submit to an immediate liquidation of their assets.

27. There is presently an immediate need for the use of cash collateral in the operation of the Debtors' businesses, and they request interim use of cash collateral for a period of thirty (30) days until a final hearing on the Debtors' proposed use of cash collateral can be scheduled, appropriately noticed to all creditors and parties in interest, and held. The Debtors have cash needs for the payment of pre-petition wages to its employees and the payment of expenses incurred by the Debtors in the ordinary course of the Debtors' businesses. The expenses that must be paid within the next thirty (30) days are reflected on the attached Exhibit "A."

28. The failure to have use of the cash collateral for the purposes set forth above will cause immediate and irreparable harm to the assets of the Debtors and will result in severe damage and diminution to the value of their assets. For these reasons, the Debtors request an

emergency hearing on shortened notice of one (1) day's notice on their motion for use of cash collateral.

29. The Debtors hereby request an emergency preliminary hearing on this Motion. The Debtors request authority to use cash collateral on an interim basis consistent with the attached cash flow projections shown on Exhibit "A." The Debtors suggests that to the extent replacement liens are necessary and appropriate to provide adequate protection that they be granted to Ford as an asserted secured creditor in the same nature, extent and priority post-petition as they existed pre-petition and that the Court set a hearing to consider the Debtors' continued use of cash collateral and to grant adequate protection to the secured creditor in a manner consistent with the requirements of the Bankruptcy Code.

WHEREFORE, PREMISES CONSIDERED, the Debtors pray that the Court set an emergency hearing on one (1) day's notice and determine that such notice and opportunity for hearing is reasonable under the circumstances, and upon hearing of the Motion grant Debtors the use of the cash collateral on an interim basis as set forth in this Motion, and that the Court set a hearing on the Debtors' request for continued use of cash collateral beyond the initial 30-day period, and the Court grant such other and further relief, at law or in equity, as the Court may deem necessary and proper.

Respectfully Submitted,

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Motors, LP; Reagor-Dykes Imports, LP;
Reagor-Dykes Amarillo, LP; Reagor-Dykes
Auto Company, LP; Reagor-Dykes
Plainview, LP; Reagor-Dykes Floydada, LP*

CERTIFICATE OF CONFERENCE

I certify that on the 2nd day of August, 2018, I conferred with Keith Langley, counsel for the secured creditor having an interest in the cash collateral sought to be used in this Motion. While the parties have not been able to reach an agreement, counsel for the Debtors will continue to confer with the secured creditor's counsel to see if an agreement can be reached.

/s/ David R. Langston
David R. Langston

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Motion was served on the following parties in interest via ECF and or email on this 2nd day of August 2018:

1. Reagor Dykes Auto Group
1215 Ave. J
Lubbock, Texas 79401
2. Keith Langley and Brandon K. Bains
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Email: dhc@severson.com
Attorneys for Ford Motor Credit
4. All parties receiving notice via ECF in this case.

/s/ Brad W. Odell

RDAG TOTAL		Month	Month	Month	Month	TOTAL
MONTHLY BUDGET		Aug-18	Sept. 2018	Oct. 2018	Nov. 2018	Dec. 2018
BEGINNING CASH BALANCE						
Beginning Cash Balance	\$ 468,000					
Sales	\$ 2,389,108.00					
Cost of Sales						\$ 468,000.00
Dealer Incentive						\$ 2,389,108.00
TOTAL CASH	2,857,108					\$ 2,857,108.00
EXPENDITURES						
COMPENSATION	\$ 500,854.00					\$ 500,854.00
SALARIED	\$ 277,747.00					22.18%
ADMIN SALARIES & COMMISSION	\$ 521,762.00					12.30%
LOANER	\$ 20,000.00					23.10%
LOAN PRINCIPLE	\$ -					0.00%
FLOORPLAN INTEREST	\$ -					0.00%
FLOORPLAN INTEREST CREDIT	\$ -					0.00%
ADVERTISING	\$ -					0.00%
ADVERTISING CREDIT	\$ -					0.00%
TOOLS & SUPPLIES	\$ 34,062.00					1.51%
OUTSIDE SERVICES	\$ 52,789.00					2.34%
FREIGHT	\$ 207.00					0.01%
PAYOUT TAXES	\$ 78,508.00					3.48%
EMPLOYEE BENEFITS	\$ 112,683.00					4.99%
WORKMAN'S COMP.	\$ 2,084.00					0.09%
OFFICE SUPPLIES	\$ 27,119.00					1.20%
TRAVEL AND LODGING	\$ -					0.00%
MEMBERSHIP	\$ 6,214.00					0.23%
PRO/SERVICE FEES	\$ -					0.00%
PHONE	\$ 10,000.00					0.44%
POSTAGE	\$ 7,558.00					0.33%
TRAINING	\$ -					0.00%
DATA PROCESSING	\$ 133,128.00					5.89%
REPAIRS/MAINTENANCE - BLDG	\$ -					0.00%
REAL ESTATE TAXES	\$ 17,860.00					0.79%
INSURANCE - BLDG	\$ 30,345.00					1.34%
DEPRECIATION	\$ 53,865.00					2.35%
INTEREST	\$ -					0.00%
UTILITIES	\$ 25,684.00					1.14%
TAXES	\$ 1,662.00					0.07%
RENTALS	\$ 10,000.00					0.44%
RENT	\$ 334,384.00					14.81%
TOTAL OPERATING EXP.	\$ 2,258,315.00					\$ 2,258,315.00
ENDING CASH BALANCE	\$ 598,593.00					\$ 598,593.00

EXHIBIT